

JANICE D. SCHAKOWSKY
9TH DISTRICT, ILLINOIS

COMMITTEE ON ENERGY AND COMMERCE

HOUSE PERMANENT SELECT
COMMITTEE ON INTELLIGENCE

CHIEF DEPUTY WHIP

Congress of the United States
House of Representatives
Washington, DC 20515-1309

2367 RAYBURN HOUSE OFFICE BUILDING
Telephone: 202-225-2111
Fax: 202-226-6890
TTY: 202-225-1904

5533 N. BROADWAY, SUITE 2
CHICAGO, IL 60640
Telephone: 773-506-7100
Fax: 773-506-9202

820 DAVIS STREET, SUITE 105
EVANSTON, IL 60201
Telephone: 847-328-3409
Fax: 847-328-3425

December 21, 2010

Board of Governors of the Federal Reserve System
20th and Constitution Ave, NW
Washington, DC 20551

Re: Proposed Truth-in-Lending Mortgage Regulations (FRB Docket No. R-1390)

Dear Board of Governors:

I am writing to urge you to withdraw the proposed changes to the Truth-in-Lending Mortgage Regulations in FRB Docket No. R-1390 because of the serious harm the proposals would cause to consumers should they be adopted. I am especially concerned about the severe consequences the proposed safe harbor provision for cross-marketing of annuities and investment products in connection with reverse mortgages would cause for older cash-strapped consumers whose very homes are on the line by these transactions. Not only would the Board's proposal put consumers at risk of predators, it is also an unacceptable affront to Congressional intent and current law.

The provisions the Board is proposing fly in the face of the safeguards prohibiting cross marketing that were put into place by the Housing and Economic Recovery Act (PL 110-289 – HERA). Additionally, they seem to be an eleventh hour end run around the authority given to the newly created Consumer Financial Protection Bureau (CFPB) that I authored in the Dodd-Frank Wall Street Reform and Consumer Protection Act (PL 111-203 – Dodd-Frank). As the author of that provision and as the co-chair of the Democratic Task Force on Seniors, I believe that the Board would be well-advised to take those facts into consideration and withdraw its proposal.

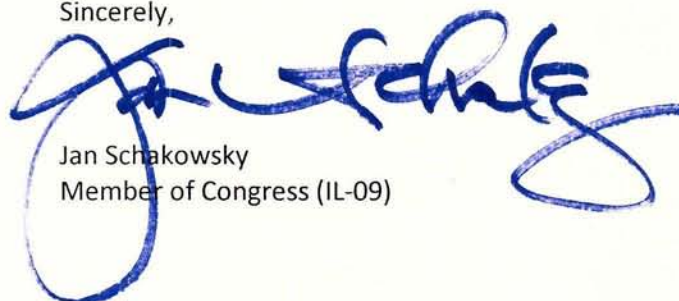
Specifically, HERA explicitly states that no borrower should be required either directly or indirectly to purchase other financial or insurance products when taking out a reverse mortgage. Furthermore, it prohibits originators of reverse mortgages insured by the Federal Housing Administration (FHA) – which are nearly all reverse mortgages issued today – from participating in, being associated with, or employing anyone associated with financial or insurance products. Should the Board's proposal be adopted, these barriers that were put in place to protect consumers would be shattered and predatory marketers would be able to take advantage of seniors a mere 10-days after ensuring they have cash available for products that may not be appropriate for them to be purchasing.

Furthermore, the Dodd-Frank Act delegates authority to the CFPB to study reverse mortgage transactions and based on its findings, issue regulations. This provision explicitly calls on the CFPB to examine what limitations need to be placed on reverse mortgage transactions – especially cross-selling – and determine what additional conditions need to be put in place to protect borrowers. Not only does the safe harbor allow for such potentially nefarious activity before the issues are fully examined, but the Board's proposed changes regarding suitability of products and advertising of reverse mortgages also prematurely address issues with which the CFBP is meant to contend.

Considering the abuses that have taken place over the past few years in the forward mortgage market, it is hard to comprehend why the Board is acting so rashly and issuing regulations that could expose to older consumer to unfair, deceptive and abusive practices. Once again, I strongly urge the Board to withdraw FRB Docket No. R-1390 and allow the CFPB do the job Congress intended it to do.

Thank you for your consideration of this matter. Should you require additional information or need assistance, please contact Megan Michaud on my staff at Megan.Michaud@mail.house.gov or 202-225-2111.

Sincerely,

A handwritten signature in blue ink, appearing to read "Jan Schakowsky", with a large, stylized loop at the end.

Jan Schakowsky
Member of Congress (IL-09)